

**WEST VIRGINIA MUNICIPAL PENSIONS
OVERSIGHT BOARD**

**FINANCIAL REPORT WITH
OTHER FINANCIAL INFORMATION**

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Municipal Pensions Oversight Board, as of June 30, 2019, and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Board as of June 30, 2018, were audited by other auditors whose report dated September 20, 2018, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and the schedules of the proportionate share of the net pension liability, the schedules of contributions to the PERS, the schedules of the proportionate share of the net OPEB liability, the schedules of contributions to the RHBT, and the notes to required supplementary information on pages 33 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The schedule of statutory commitments on page 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of statutory commitments on page 40 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of statutory commitments on page 40 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 19, 2019

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018
(Unaudited)

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Our discussion and analysis of the Municipal Pensions Oversight Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Board's financial statements, which follow.

Financial Highlights

- The Insurance Premium Tax increased by \$582,551 or about 3% during fiscal year 2019.
- Distributions to municipal pension plans increased \$261,344 or 1.57% during the fiscal year 2019.
- Interest income increased by \$281,992 or about 71% during fiscal year 2019.
- The Board's net position increased during fiscal year 2019 by \$1,284,529 or about 4%.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in net position. The Board's net position, which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is normally how one would measure the Board's financial health or financial position.

The Board as a Whole

The Municipal Pensions Oversight Board is accounted for as a proprietary fund engaged in business-type activities. The Board is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a discretely presented component unit.

During the third month of each quarter the Board receives, from the West Virginia Insurance Commission, a portion of the casualty & fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. In order to receive the premium distribution, there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal pension funds' boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal pension funds' boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below shows the Board's net position as of June 30, 2019, 2018, and 2017 (Table 1) and changes in the Board's net position for the years then ended (Table 2), with emphasis on the most recent year.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018
(Unaudited)

Table 1
Net Position

	2019	2018	2017
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 30,948,545	\$ 29,668,433	\$ 29,072,618
Capital assets, net	9,412	3,763	5,651
	30,957,957	29,672,196	29,078,269
Deferred outflows of resources related to pensions	25,868	30,381	80,912
Deferred outflows of resources related to OPEB	3,592	2,124	-
Total deferred outflows of resources	29,460	32,505	80,912
<u>Total assets and deferred outflows of resources</u>	\$ 30,987,417	\$ 29,704,701	\$ 29,159,181
<u>LIABILITIES</u>			
Current liabilities	\$ 49,632	\$ 29,351	\$ 62,456
Non-current liabilities:			
Net pension liability	39,726	65,444	137,788
Net OPEB liability	22,300	23,776	12,384
Total liabilities	111,658	118,571	212,628
Deferred inflows of resources related to pensions	24,041	20,522	8,295
Deferred inflows of resources related to OPEB	5,494	3,913	-
Total deferred inflows of resources	29,535	24,435	8,295
<u>Total liabilities and deferred inflows of resources</u>	\$ 141,193	\$ 143,006	\$ 220,923
<u>NET POSITION</u>			
Net investment in capital assets	\$ 9,412	\$ 3,763	\$ 5,651
Restricted by enabling legislation	30,836,812	29,557,932	28,932,607
Total net position	\$ 30,846,224	\$ 29,561,695	\$ 28,938,258

**WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018
(Unaudited)**

**Table 2
Changes in Fund Net Position**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
Insurance premium tax	\$ 20,022,883	\$ 19,440,332	\$ 18,331,186
Operating expenses:			
Distributions to municipal pension plans	18,768,884	18,507,540	17,352,187
Administrative expense	650,354	696,971	735,136
	<u>19,419,238</u>	<u>19,204,511</u>	<u>18,087,323</u>
Operating income	603,645	235,821	243,863
Non-operating revenues:			
Interest and other income	679,475	397,483	219,049
On behalf OPEB payments	1,409	1,499	-
	<u>1,284,529</u>	<u>634,803</u>	<u>462,912</u>
Change in net position	1,284,529	634,803	462,912
Net position, beginning of year, as previously stated	29,561,695	28,938,258	28,475,346
Net effect of change in accounting policy	-	(11,366)	-
Net position, beginning of year, restated	<u>29,561,695</u>	<u>28,926,892</u>	<u>28,475,346</u>
Net position, end of period	<u>\$ 30,846,224</u>	<u>\$ 29,561,695</u>	<u>\$ 28,938,258</u>

Changes in Net Position

As is noted in Table 2 the Board had a change in net position in the amount of \$1,284,529. Several factors contribute to both a negative and positive effect on net position. First, the Board experienced an increase in the insurance premium tax revenue in the amount of \$582,551 for fiscal year 2019. While the Board has no control over the premium tax revenue as it is subject to economic and market conditions, an increase in revenue to the Board directly benefits the local police and fire pension plans. Secondly, distributions to pension plans increased for fiscal year 2019 in the amount of \$261,344. One of the primary objectives of the MPOB is to distribute the premium tax into the accounts of the pension plans as soon as the plans meet the criteria for state aid. While it is the responsibility of the pension plans to draw down these funds, the increased distributions is reflective of our continued educational efforts to the pension plan trustees and finance directors especially with respect to drawing down the state aid as soon as the municipality has made its required contributions. 96% of the September 2018 allocation was distributed by June 30, 2019 which is an increase of 3% to the same time period of the previous year. Third, as a result of short-term rate increases in the WV Money Market Pool the MPOB return on investments managed by the Board of Treasury Investments have risen from 2.06% as of June 2018 to 2.47 % as of June 2019. This rate hike caused our interest income to increase \$281,992.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018
(Unaudited)

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Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and Cash equivalents (Note 3)	\$ 30,948,545	\$ 29,668,433
Capital assets, net (Note 4)	<u>9,412</u>	<u>3,763</u>
Total assets	<u>30,957,957</u>	<u>29,672,196</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions (Note 5)	25,868	30,381
Deferred outflows of resources related to OPEB (Note 6)	<u>3,592</u>	<u>2,124</u>
Total deferred outflows of resources	<u>29,460</u>	<u>32,505</u>
Total assets and deferred outflows of resources	<u>\$ 30,987,417</u>	<u>\$ 29,704,701</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 10,918	\$ 3,251
Accrued payroll liabilities	<u>38,714</u>	<u>26,100</u>
Total current liabilities	<u>49,632</u>	<u>29,351</u>
Noncurrent Liabilities:		
Net pension liability (Note 5)	39,726	65,444
Net OPEB liability (Note 6)	<u>22,300</u>	<u>23,776</u>
Total noncurrent liabilities	<u>62,026</u>	<u>89,220</u>
Total liabilities	<u>111,658</u>	<u>118,571</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions (Note 5)	24,041	20,522
Deferred inflows of resources related to OPEB (Note 6)	<u>5,494</u>	<u>3,913</u>
Total deferred inflows of resources	<u>29,535</u>	<u>24,435</u>
Total liabilities and deferred inflows of resources	<u>\$ 141,193</u>	<u>\$ 143,006</u>
 <u>NET POSITION</u>		
Net investment in capital assets	\$ 9,412	\$ 3,763
Restricted by enabling legislation	<u>30,836,812</u>	<u>29,557,932</u>
Total net position	<u>\$ 30,846,224</u>	<u>\$ 29,561,695</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Insurance premium tax	\$ 20,022,883	\$ 19,440,332
Operating expenses:		
Distributions to municipal pension plans	18,768,884	18,507,540
Administrative:		
Salaries and wages	224,823	212,736
Employee benefits	47,977	47,944
Professional fees	307,429	370,461
Depreciation	2,623	1,888
Miscellaneous	67,502	63,942
	<u>19,419,238</u>	<u>19,204,511</u>
Operating income	<u>603,645</u>	<u>235,821</u>
Non-operating revenues:		
Interest and other income	679,475	397,483
On behalf OPEB payments	1,409	1,499
Non-operating income	<u>680,884</u>	<u>398,982</u>
Change in net position	<u>1,284,529</u>	<u>634,803</u>
Net position, beginning of year	<u>29,561,695</u>	<u>28,926,892</u>
Net position, end of year	<u>\$ 30,846,224</u>	<u>\$ 29,561,695</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Cash received from insurance premium taxes	\$ 20,022,883	\$ 19,440,332
Cash paid to municipal pension plans	(18,768,884)	(18,507,540)
Cash paid to employees	(277,826)	(265,286)
Cash paid to suppliers	(367,264)	(469,174)
Net cash provided by operating activities	<u>608,909</u>	<u>198,332</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	<u>(8,272)</u>	<u>-</u>
Cash flows from investing activities:		
Investment earnings	<u>679,475</u>	<u>397,483</u>
Net increase in cash and cash equivalents	1,280,112	595,815
Cash and cash equivalents, beginning of year	<u>29,668,433</u>	<u>29,072,618</u>
Cash and cash equivalents, end of year	<u><u>\$ 30,948,545</u></u>	<u><u>\$ 29,668,433</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 603,645	\$ 235,821
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,623	1,888
Pension expense	4,837	13,854
OPEB expense	2,240	5,438
Changes in operating accounts:		
Increase (decrease) in accounts payable	7,667	(34,771)
Increase (decrease) in accrued payroll liabilities	12,614	1,666
(Increase) in deferred outflows of resources-Pension	(22,523)	(23,440)
(Increase) in deferred outflows of resources -OPEB	<u>(2,194)</u>	<u>(2,124)</u>
Net cash provided by operating activities	<u><u>\$ 608,909</u></u>	<u><u>\$ 198,332</u></u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment, and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a discretely presented component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results could differ from management's estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in the West Virginia Money Market Pool, a State internal investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The West Virginia Money Market Pool is carried at amortized cost.

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in cost and a useful life greater than one year. These assets include leasehold improvements and furnishings and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets for 5 years.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Board reports deferred outflows of resources related to pensions and other post-employment benefits on the statements of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to pensions and other post-employment benefits on the statements of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System (PERS), and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefit Trust OPEB Plan (RHBT) and additions to/deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose RHBT recognized benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is presented as restricted by enabling legislation, or as the net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues, recognized when earned. Operating expenses of the Board include administrative expenses and pension distributions, recognized when incurred. All revenues not meeting this definition are reported as nonoperating revenues.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2019 and 2018, the carrying amounts of deposits with the STO and the BTI are as follows:

	<u>2019</u>	<u>2018</u>
Cash on hand at STO	\$ 43,149	\$ 24,273
Investments with BTI reported as cash equivalents	<u>30,905,396</u>	<u>29,644,160</u>
	<u>\$ 30,948,545</u>	<u>\$ 29,668,433</u>

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commissions, and transfers funds to the BTI for investment in accordance with West Virginia Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The BTI's investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Investment policies have been established for the West Virginia Money Market Pool.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The West Virginia Money Market has been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. The BTI itself has not been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all long-term debt to be rated A+ or higher by Standard & Poor's (or its equivalent), and short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value (in Thousands)	Percent of Pool Assets
	Moody's	S&P		
U.S. Treasury notes *	Aaa	AA+	\$ 24,927	0.63%
U.S. Treasury bills *	P-1	A-1+	329,390	8.33
Commercial Paper	P-1	A-1+	733,411	18.54
	P-1	A-1	1,494,297	37.77
Negotiable certificates of deposit	P-2	A-1	8,490	0.21
	P-1	A-1+	179,251	4.53
	P-1	A-1	534,891	13.52
Money market funds	Aaa	AAAm	178,619	4.51
Repurchase agreements (underlying securities):				
U.S. Treasury bonds and notes*	Aaa	AA+	426,000	10.77
U.S. agency bonds and notes	Aaa	AA+	47,200	1.19
			\$ 3,956,476	100.00%

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The West Virginia Money Market Pool is subject to interest rate risk.

The overall weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the West Virginia Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 24,927	125
U.S. Treasury bills	329,390	34
Commercial paper	2,236,198	57
Negotiable certificates of deposit	714,142	33
Repurchase agreements	473,200	3
Money market funds	178,619	3
	<u>\$ 3,956,476</u>	42

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a pool or account's investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The West Virginia Money Market Pool does not hold investments in foreign currency or investments valued in foreign currency.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Historical Cost at June 30, 2017	Additions	Disposals	Historical Cost at June 30, 2018	Additions	Disposals	Historical Cost at June 30, 2019
Leasehold improvements	\$ 6,882	\$ -	\$ -	\$ 6,882	\$ -	\$ -	\$ 6,882
Furnishings and equipment	13,544	-	-	13,544	8,272	-	21,816
	<u>\$ 20,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,426</u>	<u>\$ 8,272</u>	<u>\$ -</u>	<u>\$ 28,698</u>
	Accumulated Depreciation June 30, 2017	Additions	Disposals	Accumulated Depreciation June 30, 2018	Additions	Disposals	Accumulated Depreciation June 30, 2019
Leasehold improvements	\$ 2,940	\$ 986	\$ -	\$ 3,926	\$ 986	\$ -	\$ 4,912
Furnishings and equipment	11,835	902	-	12,737	1,637	-	14,374
	<u>\$ 14,775</u>	<u>\$ 1,888</u>	<u>\$ -</u>	<u>\$ 16,663</u>	<u>\$ 2,623</u>	<u>\$ -</u>	<u>\$ 19,286</u>
Total	<u>\$ 5,651</u>	<u>\$ (1,888)</u>	<u>\$ -</u>	<u>\$ 3,763</u>	<u>\$ 5,649</u>	<u>\$ -</u>	<u>\$ 9,412</u>

NOTE 5 - RETIREMENT PLAN

Plan Description

The Board contributes to the Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement benefits to plan members and beneficiaries. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained at www.wvretirement.com.

Benefits Provided

Benefits are provided through PERS using a two-tiered system. Effective July 1, 2015, PERS implemented the second tier, Tier II. Employees hired, for the first time, on or after July 1, 2015 are considered Tier II members. Tier I and Tier II members are subject to different regulations.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
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NOTE 5 - RETIREMENT PLAN (Continued)

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Tier II: Employees who retire at or after age 62 with ten or more years of credited service are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Current funding policy requires employer contributions of 10%, 11%, and 12% for the years ended June 30, 2019, 2018, and 2017, respectively. The employee contribution rate is 4.5% and 6% for Tier I and Tier II employees, respectively. The Board's contribution to the Plan, excluding the employee's contribution paid by the Board, approximated \$22,523, \$23,440, and \$25,142 for the fiscal years ended June 30, 2019, 2018, and 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 and 2018, the Board reported a liability of \$39,726 and \$65,444, respectively for its proportionate share of the net pension liability. The 2019 net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The 2018 net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 - RETIREMENT PLAN (Continued)

as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The Board's proportion of the net pension liability was based on the Board's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2018, the Board's proportionate share was 0.015383%, which was an increase of .00022157% from its proportionate share measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, the Board recognized pension expense of \$4,837 and \$13,854, respectively. At June 30, 2019 and 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 23,377
Differences between expected and actual experience	1,971	98
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,374	566
Board's contributions subsequent to the measurement date	22,523	-
Total	\$ 25,868	\$ 24,041

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 15,910
Differences between expected and actual experience	5,824	145
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,117	1,073
Board's contributions subsequent to the measurement date	23,440	-
Total	\$ 30,381	\$ 20,522

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 - RETIREMENT PLAN (Continued)

The Board reported \$22,523 as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2020	\$ 3,140
2021	(2,981)
2022	(16,899)
2023	(3,956)

Actuarial Assumptions and Methods

The total pension liability in the June 30, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.0% – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 100% of RP-2000 Non-Annuitant, Scale AA fully generational for active employees, 110% of RP-2000 Healthy Annuitant, Scale AA fully generational for retired healthy males, 101% of RP-2000 Healthy Annuitant, Scale AA fully generational for retired healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled females.

The actuarial assumptions used in the June 30, 2018 and 2017, valuations were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

Long-term Expected Rates of Return

The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates of return are summarized in the following table:

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 - RETIREMENT PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weighted Average Expected Real Rate of Return</u>
Fixed Income	15%	3.3%	0.50%
US Equity	27.5%	4.5%	1.24%
International Equity	27.5%	8.6%	2.37%
Real Estate	10.0%	6.0%	0.60%
Private Equity	10.0%	6.4%	0.64%
Hedge Funds	10.0%	4.0%	0.40%
Total	<u>100.0%</u>		<u>5.75%</u>
Inflation (CPI)			<u>2.10%</u>
			<u>7.85%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projections of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Board's proportionate share of the net pension liability calculated using the current discount rate of 7.5% as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease 6.5%</u>	<u>Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
Total net pension liability (asset)	<u>\$ 159,984</u>	<u>\$ 39,726</u>	<u>\$ (62,011)</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publically available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 571h Street, SE Suite 2, Charleston, WV 25304.

Benefits Provided

Board employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other West Virginia Consolidated Public Retirement Board (CPRB) sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan administered by a vendor. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA's Preferred Provider Benefit or the Managed Care Option. The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Eligible participants hired after June 30, 2010, will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2019, 2018, and 2017, respectively, were:

	2019	2018	2017 <small>1/1/17 – 6/30/17</small>	2017 <small>7/1/16-12/31/16</small>
Paygo Premium	\$ 183	\$ 177	\$ 135	\$ 196

Contributions to the OPEB plan from the Board were \$2,194, \$2,124, and \$1,981 for the years ended June 30, 2019, 2018, and 2017, respectively.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below;

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions by Nonemployer Contributing Entities in Special Funding Situation

The State of West Virginia is a nonemployer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of \$5 million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The \$5 million transferred pursuant to this Code shall be transferred annually into the RHBT through June 30, 2020. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through SB 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019 and 2018, the Board reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Board. The amount recognized by the Board as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Board was as follows:

	<u>2019</u>	<u>2018</u>
The Board's proportionate share of the net OPEB liability	\$ 22,300	\$ 23,776
State's special funding proportionate share of the net OPEB liability associated with the Board	<u>4,609</u>	<u>4,884</u>
Total portion of net OPEB liability associated with the Board	<u>\$ 26,909</u>	<u>\$ 28,660</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The net OPEB liability reported at June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Board's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2018, the Board's proportion was .001039396 percent, which is an increase of .000072494 percent from its proportion measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, respectively, the Board recognized OPEB expense of \$2,240 and \$2,774 and for support provided by the State under special funding situations revenue of \$1,409 and \$1,499. At June 30, 2019 and 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 330
Net difference between projected and actual earnings on OPEB plan investments	-	413
Changes in assumptions	-	2,227
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,398	2,524
The Board's contributions subsequent to the measurement date of June 30, 2018	2,194	-
Total	\$ 3,592	\$ 5,494

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 80
Net difference between projected and actual earnings on OPEB plan investments	-	379
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	-	3,454
The Board's contributions subsequent to the measurement date of June 30, 2017	2,124	-
Total	\$ 2,124	\$ 3,913

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Deferred outflows of resources related to OPEB of \$2,194 resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2020	\$ (1,382)
2021	(1,382)
2022	(1,109)
2023	(223)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS) and RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-retirement mortality rates were based on RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS and RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 21 year closed period
Remaining amortization period	21 years closed as of June 30, 2016

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS). RP-2000 Healthy Annuitant Mortality Table projected to 2025 with scale BB for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2015.

Certain assumptions have been changed since the prior measurement date. The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 3.0% for assets invested with the WVBTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

The long-term rate of return on OPEB plan investments was determined using a building block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) was developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount rate

The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2037, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Other key assumptions

The projection assumes that the capped subsidy aggregate contribution limit of \$160 million for 2018 would increase by \$10 million per year on and after 2019. Additionally, the per member subsidy is projected to increase by at least 3.0% per year but no more than the healthcare trend inflation assumption such that the product of the projected subsidy and projected members is less than the projected aggregated capped costs; and the member's share of plan costs is expected to remain stable as a percentage of total costs following the year that the program is fully funded. After 2037, the program is projected to be fully funded and the sponsor is assumed to contribute the residual portion of normal cost and operational expenses needed to maintain a funded ratio of 100% in future years. In addition, after 2035, the member's share of total plan costs is assumed to remain stable at approximately 61% of total plan costs. These assumptions produced per member annual capped subsidy increases of 3.0% per year from 2018 to 2023 and 4.5% per year after 2023.

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

Subsequent Event

Subsequent to the June 30, 2018, measurement date, on August 21, 2018 RHBT executed a contract renewal with Humana's Medicare Advantage Plan (Humana MAPD) for Plan years 2019 and 2020. This renewal included reduced per member per month capitation costs which decreased from \$224 to \$175 per member per month, due to favorable experience and the removal of the health insurance fee.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The estimated impact of these reduced rates is not recognized in the estimated net OPEB liability measured at June 30, 2018, since the contract was executed subsequent to the measurement date. Per GASB Statement 75, if a change occurs in a factor relevant to measurement of the net OPEB liability between the measurement date of the net OPEB liability and the employer's current fiscal year-end, the employer should report the effect on the net OPEB liability of that change as of the next measurement date. The estimated impact of the reduced capitation rates on the net OPEB liability is a decrease of approximately 9.0%, or \$280 million, which will be considered in the next actuarial valuation estimating the net OPEB liability measured as of June 30, 2019. The future actuarial measurement may differ significantly from this estimate due to various other factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
The Board's proportionate share of the net OPEB liability	\$ 26,209	\$ 22,300	\$ 19,041

Sensitivity of the Board's Proportionate Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
The Board's proportionate share of the net OPEB liability	\$ 18,452	\$ 22,300	\$ 26,988

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and West Virginia Public Employees Insurance Agency (WVPEIA). In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia State Board of Risk and Insurance Management (WVBRIM), a public entity risk pool, to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. There have been no reductions in insurance coverage from the prior year and no settlements in the past three fiscal years.

NOTE 8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position. Other transactions with State of West Virginia agencies include expenses paid for general and administrative activities of the Board in the normal course of operations.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 9 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2018 allocation, but have not been disbursed as of June 30, 2019 is \$621,647.

The amount available to the Board for allocation to the pension plans in September 2019 is \$19,500,066.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Board has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Board has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The Board has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The GASB has also issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Board has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

The GASB has also issued Statement No. 91, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Board has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN

	Years Ended June 30,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Board's proportion (percentage) of the net pension liability (asset)	0.015383%	0.015161%	0.014991%	0.015321%	0.015190%
Board's proportionate share of the net pension liability (asset)	\$ 39,726	\$ 65,444	\$ 137,788	\$ 85,568	\$ 56,062
Board's covered payroll	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	18.674%	31.323%	65.705%	41.183%	27.561%
Plan fiduciary net position as a percentage of the total pension liability	96.33%	93.67%	86.11%	91.29%	93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS TO THE PERS**

	<u>2019</u>	<u>2018</u>	<u>Years Ended June 30,</u>		<u>2015</u>	<u>2014</u>	<u>2013</u>
			<u>2017</u>	<u>2016</u>			
Statutorily required contribution	\$ 22,523	\$ 23,440	\$ 25,142	\$ 28,310	\$ 29,089	\$ 29,495	\$ 28,127
Contributions in relation to the statutorily required contribution	<u>(22,523)</u>	<u>(23,440)</u>	<u>(25,142)</u>	<u>(28,310)</u>	<u>(29,089)</u>	<u>(29,495)</u>	<u>(28,127)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Board's covered payroll	\$ 224,823	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412	\$ 200,906
Contributions as a percentage of covered payroll	10.0%	11.0%	12.0%	13.5%	14.0%	14.5%	14.0%

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
YEARS ENDED JUNE 30

	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB liability (asset) (percentage)	0.001039396%	0.000966902%
Board's proportionate share of the net OPEB liability (asset)	\$ 22,300	\$ 23,776
State's proportionate share of the net OPEB liability (asset)	<u>4,609</u>	<u>4,884</u>
Total proportionate share of the net OPEB liability (asset)	<u>\$ 26,909</u>	<u>\$ 28,660</u>
Board's covered employee payroll	\$ 212,736	\$ 208,930
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	10.48%	11.38%
Plan fiduciary net position as a percentage of the total OPEB liability	30.98%	25.10%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS TO THE RHBT
YEARS ENDED JUNE 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 3,592	\$ 2,124	\$ 1,986
Contributions in relation to the statutorily required contribution	<u>3,592</u>	<u>(2,124)</u>	<u>(1,986)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee payroll	\$ 224,823	\$ 212,736	\$ 208,930
Contributions as a percentage of covered employee payroll	1.60%	1.00%	0.95%

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 1. - TREND INFORMATION PRESENTED

The accompanying schedules of the Board's proportionate share of the net OPEB and pension liabilities and contributions to RHBT and PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

NOTE 2. - OPEB CHANGES IN ASSUMPTIONS

Below are changes in assumptions between the 2017 and 2016 valuations:

The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

Below are changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the \$30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 3. - PENSION PLAN AMENDMENTS

The PERS was amended to make changes which apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired after July 1, 2015, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between the ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service or between the ages 55 and 62 with at least thirty years of contributory service.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 4. - PENSION PLAN ASSUMPTIONS

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation. As a result, several assumptions were changed for the actuarial valuations as follows:

	<u>2015 - 2018</u>	<u>2014</u>
Projected salary increases:		
State	3.0-4.6%	4.25-6.0%
Non-state	3.35-6.0%	4.25-6.0%
Inflation rate	3.0% (2016-2018), 1.9% (2015)	2.2%
Mortality rates	Active RP	
	2000 Non-Annuitant Tables, Scale AA	
	fully generational	
	Retired healthy males-110% of RP-	Healthy males-1983 GAM
	2000 Non-Annuitant, Scale AA	
	fully generational	Healthy females-1971 GAM
	Retired healthy females-101% of RP-	Disabled males-1971 GAM
	2000 Non-Annuitant, Scale AA	
	fully generational	Disabled females - Revenue
	Disabled males-96% of RP-2000	ruling 96-7
	Disabled Annuitant, Scale AA	
	fully generational	
	Disabled females-07% of RP-2000	
	Disabled Annuitant, Scale AA	
	fully generational	
Withdrawal rates		
State	1.75-35.1%	1 - 26%
Non-state	2-35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .8%

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
SCHEDULE OF STATUTORY COMMITMENTS
June 30, 2018

Supplemental Allocation Detail
September 2018
Expires 2/28/2020

	Allocation	Expended	Balance
<u>Police Departments</u>			
Beckley	\$ 528,508	\$ 528,508	\$ -
Belle	42,429	42,429	-
Bluefield	272,344	272,344	-
Charleston	1,749,234	1,749,234	-
Charles Town	10,109	10,109	-
Chester	35,437	28,395	7,042
Clarksburg	446,236	446,236	-
Dunbar	138,647	138,647	-
Elkins	108,209	108,209	-
Fairmont	379,282	379,282	-
Grafton	69,352	69,352	-
Huntington	1,053,495	1,053,495	-
Logan	57,696	-	57,696
Martinsburg	435,474	435,474	-
Morgantown	705,979	705,979	-
Moundsville	152,716	152,716	-
Nitro	160,801	160,801	-
Oak Hill	128,058	-	128,058
Parkersburg	730,381	730,381	-
Princeton	202,316	202,316	-
Point Pleasant	80,798	-	80,798
Saint Albans	239,708	239,708	-
South Charleston	399,822	399,822	-
Star City	54,437	-	54,437
Vienna	183,564	183,564	-
Weirton	390,069	390,069	-
Welch	46,970	-	46,970
Weston	61,409	61,409	-
Westover	88,637	88,637	-
Wheeling	791,415	791,415	-
Williamson	58,021	-	58,021
<u>Fire Departments</u>			
Beckley	463,895	463,895	-
Bluefield	222,060	222,060	-
Charleston	1,781,609	1,781,609	-
Clarksburg	446,391	446,391	-
Dunbar	158,206	158,206	-
Elkins	55,063	-	55,063
Fairmont	443,238	443,238	-
Grafton	41,156	41,156	-
Huntington	1,109,807	1,109,807	-
Logan	65,234	-	65,234
Martinsburg	358,686	358,686	-
Morgantown	548,107	548,107	-
Moundsville	68,290	68,290	-
Nitro	136,709	136,709	-
Parkersburg	663,805	663,805	-
Princeton	136,710	136,710	-
Saint Albans	227,823	227,823	-
South Charleston	439,511	439,511	-
Weirton	227,874	227,874	-
Weston	53,182	53,182	-
Wheeling	999,956	999,956	-
Williamson	68,328	-	68,328
	\$ 18,517,193	\$ 17,895,546	\$ 621,647

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 19, 2019